

**CITY OF CHARLESTON,
SOUTH CAROLINA**

**REPORTS ON INTERNAL CONTROL
AND COMPLIANCE**

YEAR ENDED DECEMBER 31, 2009

**CITY OF CHARLESTON, SOUTH CAROLINA
REPORTS ON INTERNAL CONTROL AND COMPLIANCE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2009**

	<u>Page</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB <i>Circular A-133</i>	3-4
Schedule of Expenditures of Federal Awards.....	5-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	
Section I – Summary of Auditors' Results.....	9
Section II – Financial Statements Findings	10
Section III – Federal Awards Findings and Questioned Costs	10
Summary of Prior Audit Findings	11



Summerville • Florence • Columbia • Georgetown • Charleston • Myrtle Beach • Sumter • Litchfield

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Honorable Mayor and Members of City Council
City of Charleston, South Carolina
Charleston, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Charleston, South Carolina**, as of and for the year ended December 31, 2009, which collectively comprise the City of Charleston, South Carolina's basic financial statements and have issued our report thereon dated June 25, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Commissioners of Public Works of the City of Charleston, South Carolina, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Charleston, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Charleston, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Charleston, South Carolina's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members

SC Association of Certified Public Accountants
NACAA Association of Certified Public Accountants

Member

Charleston Area CPA Council, AICPA

RSM McGladrey Network
www.rsmmcgladrey.com

100 South Main Street, Suite 1100
Florence, South Carolina 29501
Charleston Area Office: 843.762.1000
811 E. Market Street, Suite 1000
Charleston, South Carolina 29401

Honorable Mayor and Members of City Council
City of Charleston, South Carolina
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Charleston, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Summerville, South Carolina
June 25, 2010



Summerville • Florence • Columbia • Georgetown • Charleston • Myrtle Beach • Sumter • Litchfield

**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Mayor and Members of City Council
City of Charleston, South Carolina
Charleston, South Carolina

Compliance

We have audited the compliance of the **City of Charleston, South Carolina**, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City of Charleston, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Charleston, South Carolina's management. Our responsibility is to express an opinion on the City of Charleston, South Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Charleston, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Charleston, South Carolina's compliance with those requirements.

In our opinion, the City of Charleston, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City of Charleston, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Charleston, South Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Charleston, South Carolina's internal control over compliance.

Members

50 Association of Certified Public Accountants

90 Association of Certified Public Accountants

Member

Eligible for CPA Exam - AICPA

RSM McGladrey Network
A member of the RSM Group

100 South Main Street, Suite G (29403)
PO Box 1585 (29403)
Summerville, South Carolina
813-873-4400, Fax 843-873-7277
www.webster-rose.com

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charleston, South Carolina, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 25, 2010. We did not audit the financial statements of the Commissioners of Public Works of the City of Charleston, South Carolina, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of other auditors.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Charleston, South Carolina's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilbur Lewis LLP

Summerville, South Carolina
June 25, 2010

**CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through S.C. Department of Social Services Summer Feeding Program	10.559	SF-129	183,926
Passed through S.C. Forestry Commission Cooperative Forestry Assistance	10.664	2008U14	10,000
Cooperative Forestry Assistance	10.664	2009U3	1,126
Total CFDA # 10.664			11,126
Total U.S. Department of Agriculture			195,052
U.S. Department of Commerce			
Passed through S.C. Department of Natural Resources ARRA Habitat Conservation	11.463	NA09NMF4630334	49,662
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grant	14.218	B07-MC-45-0001	999,342
Community Development Block Grant	14.218	B08-MC-45-0001	856,933
Total CFDA # 14.218			1,856,275
Home Investment Partnership	14.239	M-08-MC-45-0201	780,239
Home Investment Partnership	14.239	M-94-SG-45-0100	318,081
Home Investment Partnership - American Dream Downpayment Initiative	14.239	M-04-MC-45-0201	12,200
Total CFDA # 14.239			1,110,520
HOPWA	14.241	SCH02F002	125,148
HOPWA	14.241	SCH08F002	293,325
HOPWA	14.241	SCH09F002	159,955
Total CFDA # 14.241			578,428
EDI - Special Project Grant	14.246	B02-SPSC-0662	97,197
EDI - Special Project Grant	14.246	B03-SPSC-0720	20,000
Total CFDA # 14.246			117,197
Community Development Block Grant - Section 108 Loan	14.248	B01-MC-45-0001	80,928
EDI - Special Project Grant	14.251	B-08-NI-SC-0005	323,561
Lead-Based Hazard Control	14.900	SCLHB 0314-04	1,111,676
ARRA Lead-Based Hazard Control	14.907	SCLHB 0414-08	205,284
Total U.S. Department of Housing and Urban Development			5,383,869

(continued)

CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Identifying Number	Federal Expenditures
U.S. Department of the Interior			
Direct			
Save America's Treasures	15.929	45-04-ML-0129	\$ 148,410
Passed through S.C. Department of Natural Resources Sport Fish Restoration Program	15.605	F-115-B	159,200
Passed through S.C. Department of Archives and History Historic Preservation Fund	15.904	N/A	20,000
Passed through the S.C. Department of Parks, Recreation and Tourism			
Outdoor Recreation Acquisition, Development & Planning	15.916	45-01066	84,995
Total U.S. Department of the Interior			<u>412,605</u>
U.S. Department of Justice			
Direct			
Federal Equitable Sharing	16.000	NCIC/ORI/Tracking No. 100100	159,151
National Institute of Justice Research	16.560	2009-DN-BX-K303	6,280
Bulletproof Vest Partnership Program	16.607	2008-BU-BX-0804-5291	11,250
Bulletproof Vest Partnership Program	16.607	2009-BU-BX-0904-9919	7,686
Total CFDA # 16.607			<u>18,936</u>
ARRA Public Safety Partnership and Community Policing	16.710	2009-RK-WX-0742	247,734
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0223	8,177
Passed through S.C. Department of Public Safety ARRA Edward Byrne Memorial Justice Assistance Grant	16.803	1GS09146	9,899
Passed through the U.S. Attorney's Office for the District of S.C.			
Sea Hawk Task Force	16.999	0E707104	47,348
Total U.S. Department of Justice			<u>497,525</u>
U.S. Department of Transportation			
Passed through S.C. Department of Transportation			
Traffic Signal Replacement and Control System	20.205	10LZ2SA10002	121,854
Older Driver and Pedestrian Safety Program	20.205	10Q210D10001	326,057
Avondale Point Improvement Enhancement Project	20.205	10Q22MP07013	4,727
Maybank Highway Mitigation	20.205	BRT-MGE-BR10(005)	6,039
Total CFDA # 20.205			<u>458,677</u>
Passed through S.C. Department of Public Safety Alcohol Impaired Driving Countermeasures	20.601	2H10026	4,776
Total U.S. Department of Transportation			<u>463,453</u>

(continued)

**CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Identifying Number	Federal Expenditures
National Endowment for the Arts			
Direct			
Promotion of the Arts	45.024	08-6200-7026	\$ 25,000
Passed through South Carolina Arts Commission			
Promotion of the Arts - Partnership Agreements	45.025	FY09-LTO/ARC-13376	963
Promotion of the Arts - Partnership Agreements	45.025	FY10-LTO/ARC-13884	12,070
Total CFDA # 45.025			13,033
Total National Endowment for the Arts			<u>38,033</u>
U.S. Environmental Protection Agency			
Direct			
Brownsfield Assessment & Cleanup Cooperative	66.818	BF-96412704-0	51,080
U.S. Department of Health and Human Services			
Passed through S.C. Department of Health and Human Services			
Enterprise Community Initiative	93.585	B040392A	61,249
U.S. Department of Homeland Security/ Federal Emergency Management Agency			
Direct			
Assistance to Firefighters	97.044	EMW-2008-FO-06077	75,861
Port Security Grant Program	97.056	2006-GB-T6-0044	152,109
Port Security Grant Program	97.056	2007-GB-T7-0117	67,752
Total CFDA # 97.056			219,861
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2008-FF-00850	582,535
Passed through S.C. Emergency Management Division			
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-SC-2005-05	478,216
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-SC-2005-08	61,369
Total CFDA # 97.017			539,585
Total U.S. Department of Homeland Security/Federal Emergency Management Agency			<u>1,417,842</u>
Total Federal Expenditures			<u>\$ 8,570,370</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF CHARLESTON, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Charleston, South Carolina, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Loans Outstanding

The City of Charleston, South Carolina, had the following loan balance outstanding at December 31, 2009:

Federal Grantor/Program Title	Federal CFDA Number	Agency Pass-Through Identifying Number	Loan Balance
U.S. Department of Housing and Urban Development Community Development Block Grant – Section 108	14.248	B01-MC-45-0001	<u>\$ 785,000</u>

C. Program Income

The City of Charleston, South Carolina, had federal expenditures funded by program income in the following amounts:

Federal Grantor/Program Title	Federal CFDA Number	Agency Pass-Through Identifying Number	Program Income
U.S. Department of Agriculture Summer Feeding Program	10.559	SF-129	\$ 499
U.S. Department of Housing and Urban Development Community Development Block Grant	14.218	B07-MC-45-0001	\$ 263,286
EDI – Special Project Grant	14.246	B02-SPSC-0662	\$ 46,890
U.S. Department of Justice Federal Equitable Sharing Program	16.000	NCIC/ORI/Tracking No. 100100	\$ 9,110
Project SeaHawk Task Force	16.999	0E707104	\$ 3

**CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness (es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.251	EDI-Special Project Grant
15.605	Sport Fish Restoration
16.710	ARRA Public Safety and Community Policing
20.205	Highway Planning and Construction
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009**

Section II - Financial Statements Findings

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
None		

Section III - Federal Awards Findings and Questioned Costs

<u>Ref #</u>	<u>Department/ Program/Grant</u>	<u>Finding/Noncompliance</u>
None		

CITY OF CHARLESTON, SOUTH CAROLINA
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2009

Ref #	Department/ Program/Grant	Finding/Status
None		